

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name South Kalamazoo County Fire Authority		County Kalamazoo	
Fiscal Year End 3/31/07		Opinion Date August 8, 2007		Date Audit Report Submitted to State September 28, 2007			

We affirm that:

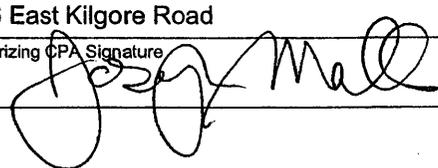
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Report
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970
Street Address 246 East Kilgore Road		City Kalamazoo
		State MI
		Zip 49002
Authorizing CPA Signature 		Printed Name Joseph M Walls
		License Number 1101013696

*South Kalamazoo County Fire Authority*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## INDEPENDENT AUDITORS' REPORT

**Members of the Board  
South Kalamazoo County Fire Authority**

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Kalamazoo County Fire Authority as of and for the year ended March 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of South Kalamazoo County Fire Authority as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on page 9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The South Kalamazoo County Fire Authority, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

August 8, 2007

## **BASIC FINANCIAL STATEMENTS**

**South Kalamazoo County Fire Authority**

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

March 31, 2007

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
<b>ASSETS</b>			
Cash	\$ 104,209	\$ -	\$ 104,209
Due from other governmental units	7,130	-	7,130
Capital assets not being depreciated - land	-	5,000	5,000
Capital assets being depreciated, net	-	458,817	458,817
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 111,339</u>	<u>\$ 463,817</u>	<u>575,156</u>
<b>LIABILITIES</b>			
Payables	\$ 12,506	\$ -	12,506
<b>FUND BALANCE</b>			
Unreserved, undesignated	<u>98,833</u>	<u>(98,833)</u>	<u>-</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u>\$ 111,339</u>		
<b>NET ASSETS</b>			
Investment in capital assets		463,817	463,817
Unrestricted		<u>98,833</u>	<u>98,833</u>
		<u>          </u>	<u>          </u>
Total net assets		<u>\$ 562,650</u>	<u>\$ 562,650</u>
<b>Total fund balance</b>			<b>\$ 98,833</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			
			<u>463,817</u>
<b>Total net assets</b>			<b><u>\$ 562,650</u></b>

See notes to financial statements

**South Kalamazoo County Fire Authority**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES**

*Year ended March 31, 2007*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>REVENUES</b>			
Contributions from local units	\$ 356,444	\$ -	\$ 356,444
Interest	382	-	382
Other	<u>19,056</u>	<u>-</u>	<u>19,056</u>
Total revenues	<u>375,882</u>	<u>-</u>	<u>375,882</u>
<b>EXPENDITURES/EXPENSES</b>			
Public safety	<u>290,351</u>	<u>57,926</u>	<u>348,277</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>	85,531	(57,926)	27,605
<b>FUND BALANCE/NET ASSETS - BEGINNING</b>	<u>13,302</u>	<u>521,743</u>	<u>535,045</u>
<b>FUND BALANCE/NET ASSETS - ENDING</b>	<u>\$ 98,833</u>	<u>\$ 463,817</u>	<u>\$ 562,650</u>
 <b>Net change in fund balance</b>			 \$ 85,531
 Amounts reported in the statement of activities are different because:			
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation (\$71,890) exceeded capital outlays (\$13,964).			
			<u>(57,926)</u>
 <b>Change in net assets</b>			 \$ <u>27,605</u>

See notes to financial statements

**South Kalamazoo County Fire Authority**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the South Kalamazoo County Fire Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

The Authority was established June 26, 1999, to jointly provide fire protection services within the member municipalities in Southern Kalamazoo County, Michigan. The Authority is comprised of the Villages of Schoolcraft and Vicksburg, and the Townships of Brady, Prairie Ronde, Schoolcraft, and Wakeshma. Costs of operations and capital expenditures are supported by contributions from the participating municipalities.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

*c) Assets and liabilities:*

*i) Bank deposits and investments* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*ii) Capital assets* - Capital assets, which include land, buildings, equipment, and vehicles, are defined by the Authority as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**South Kalamazoo County Fire Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Assets and liabilities:*

ii) *Capital assets (continued)* - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment 10 - 20 years

Vehicles 5 - 15 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the line-item level. All annual appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH:

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, the Authority's bank balances of \$110,858 were fully insured, and were, therefore, not exposed to custodial risk.

NOTE 4 - OPERATING LEASES:

The Authority leases three stations from the Village of Schoolcraft, Wakeshma Township, and the Village of Vicksburg under agreements that have been classified as operating leases. The terms of the lease agreements between the Authority and the participating local units of government are in effect through August 31, 2007. Lease expense for the period ending March 31, 2007, was \$15,000.

**South Kalamazoo County Fire Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity of the Authority for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Equipment	239,387	13,964	-	253,351
Vehicles	910,400	-	-	910,400
Subtotal	<u>1,149,787</u>	<u>13,964</u>	<u>-</u>	<u>1,163,751</u>
Less accumulated depreciation for:				
Equipment	(129,414)	(24,600)	-	(154,014)
Vehicles	(503,630)	(47,290)	-	(550,920)
Subtotal	<u>(633,044)</u>	<u>(71,890)</u>	<u>-</u>	<u>(704,934)</u>
Total capital assets being depreciated, net	<u>516,743</u>	<u>(57,926)</u>	<u>-</u>	<u>458,817</u>
Governmental activities capital assets, net	<u>\$ 521,743</u>	<u>\$ (57,926)</u>	<u>\$ -</u>	<u>\$ 463,817</u>

**NOTE 6 - PAYABLES:**

Payables as of year end for the Authority are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Total</u>
General	<u>\$ 4,662</u>	<u>\$ 7,844</u>	<u>\$ 12,506</u>

**NOTE 7 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**South Kalamazoo County Fire Authority**  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Contributions from local units	\$ 359,250	\$ 359,250	\$ 356,444	\$ (2,806)
Interest	500	500	382	(118)
Other	-	-	19,056	19,056
Total revenues	<u>359,750</u>	<u>359,750</u>	<u>375,882</u>	<u>16,132</u>
<b>EXPENDITURES</b>				
Public safety:				
Wages and payroll taxes	113,500	113,500	102,706	10,794
Office supplies	1,050	1,210	1,212	(2)
Operating supplies	38,750	41,295	38,136	3,159
Professional services	9,300	9,300	4,831	4,469
Telephone and communications	19,700	19,330	15,439	3,891
Repairs and maintenance	45,750	64,685	50,850	13,835
Insurance	40,500	45,150	38,674	6,476
Utilities	16,550	16,920	16,864	56
Leases	15,000	15,000	15,000	-
Education and training	9,550	5,830	5,696	134
Miscellaneous	5,350	700	943	(243)
Total public safety	<u>315,000</u>	<u>332,920</u>	<u>290,351</u>	<u>42,569</u>
Capital outlay	<u>44,250</u>	<u>26,330</u>	<u>-</u>	<u>26,330</u>
Total expenditures	<u>359,250</u>	<u>359,250</u>	<u>290,351</u>	<u>68,899</u>
<b>NET CHANGE IN FUND BALANCES</b>	500	500	85,531	85,031
<b>FUND BALANCES - BEGINNING</b>	<u>13,302</u>	<u>13,302</u>	<u>13,302</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 13,802</u>	<u>\$ 13,802</u>	<u>\$ 98,833</u>	<u>\$ 85,031</u>

**Members of the Authority Board  
South Kalamazoo County Fire Authority, Michigan**

In planning and performing our audit of the financial statements of the South Kalamazoo County Fire Authority as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the South Kalamazoo County Fire Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Authority does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the South Kalamazoo County Fire Authority and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

August 8, 2007